

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
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FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 2336

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 5696

E.O. 11652: XGDS-3

TAGS: EAGR PGOV PINT PO

SUBJECT: IMPLICATIONS OF THE AGRARIAN REFORM VOTE

REF: (A) LISBON 5660 (DTG 220822Z JUL 77),

(B) LISBON 5630 (DTG 211222Z JUL 77)

SUMMARY: THE PS-PSD AGREEMENT TO VOTE FOR THE AGRARIAN REFORM LAW RESULTED FROM MUTUAL CONCESSIONS. THE AGREEMENT SHOULD CLEAR THE WAY FOR PASSAGE OF THE LAW ON COMPENSATIONS AND FOREIGN LOAN AUTHORIZATIONS. DEMOCRATIC INSTITUTIONS HAVE BEEN STRENGTHENED AND THE GOVERNMENT HAS SURVIVED A MAJOR TEST. THE PCP SUFFERED A MAJOR DEFEAT BUT WILL CONTEST THE LAW'S IMPLEMENTATION. THE SOCIALISTS HAVE MOVED PRAGMATICALLY
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TO THE RIGHT AND LEARNED A LESSON IN PARLIAMENTARY ARITHMETIC. SA CARNEIRO HAS PUBLICLY DISASSOCIATED HIMSELF FROM HIS PARTY'S VOTE IN A MOVE WHICH COULD COMPLICATE FURTHER PROGRESS ON THE PS/PSD PARLIAMENTARY AGREEMENT. END SUMMARY.

1. MUTUAL CONCESSIONS: PSD DEPUTY SERVULO CORREIA SPELLED

OUT IN THE ASSEMBLY THE MUTUAL CONCESSIONS OF THE PS AND PSD ON THE AGRARIAN REFORM LAW AND THE LAW ON AGRICULTURAL RENTALS. THE COMPROMISES INCLUDED:

- CHECK ON MINISTRY: AN INDEPENDENT BODY WITH LEGISLATIVE ASSEMBLY PARTICIPATION WILL REVIEW THE BROAD DISCRETIONARY AUTHORITY OF THE AGRICULTURE MINISTER.
- LIMITATION OF STATE'S PREFERENCE: EXCEPTIONS AND RESTRICTIONS TO THE STATE'S RIGHT OF PREFERENCE IN LAND TRANSFERS WERE ADDED TO THE LAW.
- FIRM CRITERIA FOR LAND VALUE: THE CRITERIA FOR DETERMINING LAND VALUE WERE FIXED.
- HEREDITARY RIGHTS: PROPERTY DIVISIONS FROM INHERITANCE WERE ACCEPTED IN DETERMINING LAND SUBJECT TO AGRARIAN REFORM.
- AGRICULTURAL RENTAL LAW: THE PS WENT ALONG WITH A MODIFICATION OF THE PSD AGRICULTURAL RENTAL LAW IN RETURN FOR PSD SUPPORT FOR THE REFORM LAW.

2. PS/PSD COOPERATION: THE PS/PSD COMMUNIQUE MADE THE FOLLOWING POINTS:

- WORKING GROUPS ESTABLISHED: PS/PSD WORKING GROUPS HAVE MET OVER THE PAST SEVERAL WEEKS TO ANALYZE IN DETAIL PROBLEMS REGARDING THE ECONOMY AND FINANCES, AGRARIAN REFORM, LOCAL AND REGIONAL GOVERNMENT, THE AUTONOMOUS REGIONS OF THE AZORES AND MADEIRA, THE MEDIA, AND FOREIGN POLICY.

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- NEITHER GUARANTEE OR ALLIANCE: NO OVERALL AGREEMENT WAS ESTABLISHED. THE PSD AFFIRMED THAT IT HAD NOT GIVEN ASSURED SUPPORT TO GOVERNMENT POLICY. THE PS REAFFIRMED ITS POLICY OF NO ALLIANCE.
- MUTUAL CONSULTATIONS AGAIN: THE TWO PARTIES AGREED TO REGULAR CONSULTATIONS ON MATTERS OF NATIONAL INTEREST TO ASSURE GREATER STABILITY OF DEMOCRATIC INSTITUTIONS.

3. SA CARNEIRO TAKES A WALK: THE 166 VOTES IN FAVOR OF THE AGRARIAN REFORM LAW WERE SUPPLIED BY PS AND PSD DEPUTIES AND INDEPENDENT GALVAO DE MELO (REF A). THERE WERE NO ABSTENTIONS; THREE SOCIALISTS VOTED AGAINST THE LAW (LOPES CARDOSO, BRAZ PINTO, AND VITAL RODRIGUES), AND TEN DEPUTIES FROM THE PS AND PSD DID NOT VOTE. AMONG THOSE ABSENT FOR THE KEY VOTE WAS PSD PRESIDENT SA CARNEIRO WHO WAS

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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 5696

ABSENT BECAUSE HE DIFFERED FROM HIS PARTY'S DECISION TO VOTE
FOR THE LAW. SA CARNEIRO BELIEVED THE PSD SHOULD ALLOW THE
LAW TO PASS, BUT ABSTAIN ON THE VOTE.

4. WHAT FOLLOWS NEXT: PRIME MINISTER SOARES'S CHIEF
OF STAFF ALFREDO BARROSO TOLD EMBOFF JULY 21 THAT
THE AGREEMENT WHICH PERMITTED THE PASSAGE OF THE
AGRARIAN REFORM LEGISLATION ALSO ASSURED THE APPROVAL
OF THE LAW ON COMPENSATION FOR NATIONALIZED PROPERTY
AND THE AUTHORIZATION OF FOREIGN LOANS (REF B). HE
SAID THE LAW ON LOCAL GOVERNMENT RESPONSIBILITIES WAS THE
ONE MAJOR PIECE OF LEGISLATION UPON WHICH THE PS AND PSD
HAD NOT BEEN ABLE TO AGREE. BARROSO BELIEVED CONSIDERABLE
PROGRESS HAD BEEN MADE IN REACHING AGREEMENT ON THE
MEDIUM-TERM PLAN. A PSD INSIDER SAID, HOWEVER, THAT
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THE VOTE ON THE PLAN WOULD PROBABLY BE DELAYED UNTIL
OCTOBER WHILE MAJOR CHANGES ON THE DOCUMENT ARE WORKED
OUT. THE PS AND PSD HAVE AGREED TO SUPPORT THE LAW
ON LOCAL GOVERNMENT FINANCES WHILE NEGOTIATIONS CONTINUE

ON THE LAW DEFINING LOCAL GOVERNMENT RESPONSIBILITIES.

5. COMMENT: WHILE IT IS STILL TOO EARLY TO ASSESS ALL OF THE IMPLICATIONS FOR THE POLITICAL SYSTEM, WE CAN DRAW SOME PRELIMINARY CONCLUSIONS:

- THE GOVERNMENT HAS SURVIVED A MAJOR TEST; DEMOCRATIC INSTITUTIONS HAVE BEEN STRENGTHENED.
- THE COMMUNISTS HAVE SUFFERED A MAJOR DEFEAT. PCP HEGEMONY IN THE RURAL ALENTEJO IS THREATENED. THE COMMUNISTS ARE MORE THAN EVER ON THE DEFENSIVE. ALTHOUGH INCREASINGLY ISOLATED, THE COMMUNISTS REMAIN DANGEROUS AND ARE SURE TO FIGHT THE NEW LAW'S IMPLEMENTATION.
- AGRICULTURE MINISTER BARRETO'S PRESTIGE IS AT A NEW HIGH.
- THE GOVERNMENT AND THE SOCIALISTS HAVE MOVED PRAGMATICALLY TO THE RIGHT. THEY HAVE LEARNED A LESSON REGARDING THE REALITIES OF PARLIAMENTARY ARITHMETIC.
- PRESIDENT EANES AND HIS STAFF PLAYED A DECISIVE ROLE. THEIR SUPPORT FOR THE GOVERNMENT'S PROPOSAL TRANSLATED INTO PRESSURES, SOME SUBTLE, OTHERS NOT SO SUBTLE, ON THE PSD AND CDS. THIS WILL CAUSE SOME LINGERING RESENTMENT WITHIN THE OPPOSITION PARTIES AND AMONG SOME CONSERVATIVE MILITARY MEN. BUT THE BONDS BETWEEN EANES AND SOARES HAVE BEEN STRENGTHENED.
- SA CARNEIRO'S ATTITUDE IS A BIT PUZZLING EVEN TO EXPERIENCED SA CARNEIRO WATCHERS. HIS EFFORT TO DISTANCE HIMSELF FROM THE FAVORABLE PSD VOTE ON AGRARIAN REFORM APPEARS TO REFLECT A COMBINATION OF PERSONAL PIQUE AND AN EFFORT TO PREVENT HIMSELF FROM BEING OUT-FLANKED ON THE CONFIDENTIAL

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RIGHT BY THE CDS. SA CARNEIRO HAS GONE AGAINST MOST OF THE PSD NATIONAL LEADERSHIP, AND MADE UNITED PSD FOLLOW-UP ON THE PS/PSD AGREEMENT MORE DIFFICULT. HE ALSO SETS HIMSELF AT ODDS WITH THE PRESIDENT WHO IS KNOWN TO FAVOR CLOSER COOPERATION BETWEEN THE PS AND PSD. SHOULD SA CARNEIRO INSIST UPON A HARD LINE IN SUBSEQUENT DEALINGS WITH THE SOCIALISTS, THE HARD WON PS/PSD PARLIAMENTARY UNDERSTANDING MIGHT HAVE TROUBLE GETTING OFF THE GROUND. CARLUCCI

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